

Strong Montana banks welcome news

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It was welcome news last week when Montana Banking Commissioner Annie Goodwin said that despite the national financial downturn, Montana banks remain in excellent shape.

Assets of the state's 74 commercial banks rose by \$1.4 billion to \$18.3 billion in the year ending Sept. 30, and loan volumes continue to rise. The national meltdown precipitated by the bursting of the housing bubble wasn't felt as strongly here, but another reason for Montana banks' performance is strong capitalization and capable management.

Perhaps another factor is a lingering memory of how badly Montana banking has crashed in the past.

Banks suffered greatly after the Panic of 1893, and less so after the Panic of 1907, but it was in the early 1920s that the center failed to hold. The drought had started in 1917 and kept worsening as the years went by. As crops failed, post-World War I farm prices plummeted. Sodbusters left their farms in droves; land values were cut in half.

Meanwhile, state and federal banking regulators had been approving charters for new banks with abandon. Many little towns had two or three banks, often run by people who knew little about banking and even less about dry-land farming. Between 1920 and 1924, almost half of Montana's banks — 214 of them — went under.

In 1924 state Bank Examiner L.Q. Skelton called the situation "a veritable nightmare" in his annual report. "The ruin," he moaned, "the litigation, bankruptcies, the expense, the wrath of the depositors, a suicide or two, the widow's mite gone, business stagnated, confidence shaken, men of reputation sent to prison perhaps ..."

We can be proud of the state's banks for staying strong and lending wisely in these current hard times, and proud of the vigilance of their regulators. Montana has seen what can happen when those institutions let us down.